

If a vendor is reimbursed in full or in part for the value of a coupon accepted by that vendor, the reimbursement amount would be a part of the gross receipts subject to sales tax. See 86 Ill. Adm. Code 130.2125(b)(2). (This is a GIL.)

May 4, 2005

Dear Xxxxx:

This letter is in response to your letter dated November 5, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

My company wants to operate kiosks in your state. The kiosk will offer shoppers normal retail coupons that can be redeemed the same day they are shopping. In retail locations, the kiosk will sell \$5+ worth of coupons for \$1 at the point of entering the store. Our agents will be approaching chain store headquarters with this opportunity. We would like to offer assurances that this state government has no objections to a retailer selling coupons instead of them being given away in the traditional manner of distribution (Free Standing Inserts, Direct Mail Packets, etc.).

We anticipate questions to be centered on the sale of the coupon being taxed. In preparation to answer this question, our legal counsel finds no authority for taxing coupons in your state. However, we request that you help us by looking into this matter: 1.) Are there any restrictions placed on the sale of coupons in your state? 2.) Should we be concerned about collecting retail tax of any kind on the sale of coupons? 3.) If taxes are due, and if we are the party selling coupons within the retail outlet, who would be responsible to the authorities for payment?

To our knowledge, selling coupons in a retail environment has little precedence. This is why we are asking for guidance from state agencies. Would the same rules apply for this activity that apply to the highly popular method of selling coupons with the NAME sold for fundraising? If so what are the rules in your state.

Thank you for your assistance.

**DEPARTMENT'S RESPONSE:**

The sale of coupons and coupon books is not subject to Illinois sales tax. Coupons represent an intangible right to purchase merchandise at a reduced price at some future time. They are not subject to Illinois sales tax. However, vendors who accept such coupons may incur Retailers' Occupation Tax liability on their gross receipts from their sales involving the redemption of coupons. If a vendor is reimbursed in full or in part for the value of the coupon, the reimbursement amount will be subject to sales tax. See 86 Ill. Adm. Code 130.2125(b)(2).

I hope this information is helpful. If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess  
Associate Counsel

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